

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

DFA5048 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

6 MARCH 2018
9:00am – 12:00pm
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 8 pages with 4 questions.
2. Answer ALL questions.
3. Write your answers in the answer booklet provided.

QUESTION 1**Part A**

Golden Academy Bhd with an authorised capital of 10,000,000 ordinary shares of RM2 each offered for sale to the public 6,000,000 ordinary shares at par on the following terms:

On application	40 sen
On allotment	50 sen
On 1 st call	60 sen
On 2 nd and final call	50 sen

Application were received for 7,300,000 ordinary shares and the directors resolved that the excess applications be allotted on a pro-rata basis. Any surplus application monies were transferred to an allotment account to reduce the money due on allotment.

All monies were duly collected when due except for a shareholder with 800,000 share who paid the 2nd call money at the same time as the 1st call; and another shareholder with 450,000 shares who failed to pay the 2nd and final call money.

Instructions:

- (a) Prepare the journal entries to record the above transactions. (7 marks)
- (b) Prepare the ledger for Bank account. Assuming the bank balance is RM350,000. (2 marks)
- (c) Extracts of the Statement of Financial Position of the company after the 2nd and final call. (3 marks)
- (d) Identify the difference between call in arrears and call in advance. (2 marks)

Part B

There are a few types of shares which can be traded in Bursa Malaysia such as ordinary shares and preference shares. The most common shares are known as ordinary shares where they are practically own a share of the particular company.

Instruction:

List the **FIVE (5)** rights and powers attached to ordinary shareholder other than preference shares according to Section 71, Companies Act 2016.

(5 marks)

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Part C

Given below is selected accounts balance of Hatten Bhd as at 31 December 2015.

Accounts	Debit (RM)	Credit (RM)
Land and building	190,000	
Fixtures and fittings	54,000	
Inventories	55,000	
Trade Receivables	70,000	
Bank	111,000	
200,000 ordinary shares capital of RM1 each (fully paid)		200,000
Profit and loss account		50,000
General reserve		10,000
80,000 6% redeemable preference shares of RM1 each		80,000
8% debentures		100,000
Trade Payable		35,000
Loan from Directors		5,000
	480,000	480,000

The company decided to redeem all the preference shares at a premium of 10% by issuing 50,000 ordinary shares at a premium of 15% each and by transferring RM30,000 from the profit and loss to the capital redemption reserve.

Instruction:

Prepare the journal entries to record the above transactions.

(6 marks)

[TOTAL 25 MARKS]

QUESTION 2

Mirabelle Bhd incorporated with an authorized capital of 420,000 8% preference shares at RM1 each and 1,600,000 ordinary shares at RM1 each.

Given below is a Trial Balance of Mirabelle Bhd as at 30 June 2017:

MIRABELLE BHD Trial Balance as at 30 June 2017		
	(RM)	(RM)
Cash	6,000	
Trade Receivables	56,000	
Inventories	48,000	
Land and Building	500,000	
Plant and Machinery	40,000	
Motor Vehicles	160,000	
Goodwill	60,000	
Research and Development	100,000	
Investments	74,000	
Bank Overdraft		80,000
Trade Payables		64,000
Director's Loan		100,000
8% Debentures		240,000
8% Preference Shares at RM1 each		200,000
Ordinary Shares at RM1 each		1,000,000
Share Premium		160,000
Accumulated Losses	800,000	
	1,844,000	1,844,000

Additional information:

- Preference dividends in arrears were RM36,000.
- Contingent liability for damages of RM61,000 has not been provided.

During a meeting of shareholders and directors, it was decided to carry out a scheme of internal reconstruction to overcome the financial difficulties faced by the company. A capital reduction scheme duly approved by the court was set out as follows:

- Preference shares reduced to RM0.60 per share and the ordinary shares reduced to RM0.40 each.
- Preference shareholders received one (1) ordinary share of RM0.40 each for every RM1 preference dividends in arrears.
- Share premium to be used for the scheme.
- Accumulated losses and all intangible assets are to be written off.

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5. Write off RM20,000 of inventories and RM10,000 of trade receivables as bad debts.
6. Fair values of the following assets:

Land and Building	RM560,000
Plant and Machinery	30,000
Investments	80,000
7. Directors agreed to accept ordinary shares in place of their loans and also agreed to subscribe for RM80,000 in ordinary shares of RM0.40 per share.
8. Reconstruction cost amounted to RM6,000.
9. Another special resolution was passed to restore the authorized capital. Subsequently the following transactions took place:
 - i. Investments were sold for RM80,000.
 - ii. Contingent liability materialized to the amount stated and the company settled the full amount.

Instructions:

- (a) Prepare journal entries to record the capital reduction. (11 marks)
- (b) Prepare T-accounts for Capital Reduction and Ordinary Share accounts. (7 marks)
- (c) Prepare Statement of Financial Position after the capital reduction had been completed. (7 marks)

[TOTAL 25 MARKS]

QUESTION 3**Part A**

Business combination refers to situations where businesses combine. The combining of separate business entities is an alternative to internal expansion and acquire the benefits from a bigger business unit.

Instructions:

- (a) Briefly explain the **THREE (3)** main ways of a business combination. (3 marks)
- (b) Identify any **TWO (2)** advantages derived from combining businesses. (2 marks)
- (c) One of the factors that determine the purchase price is *goodwill*. Provide **TWO (2)** brief explanation about this factor in business combination perspective. (2 marks)

Part B

Bubbles and Buttercup are partners for B&B Partnership for almost 6 years and currently they decided to convert their partnership into a limited liability company.

Thus, on 1 January 2017, B&B Corporation was formed with an authorized capital of RM1,500,000 ordinary shares of RM1 per share to purchase all assets (excluding cash) and liabilities of B&B Partnership. B&B Corporation was to discharge the purchase price by issuing 900,000 units of ordinary shares at par value.

Below is the Statement of Financial Position of B&B Partnership as at 1 January 2017.

B&B PARTNERSHIP		
Statement of Financial Position as at 1 January 2017		
	(RM)	(RM)
<u>Current Assets</u>		
Cash	9,000	
Account Receivables	95,000	
Prepaid Insurance	52,000	
Inventories	28,000	
		184,000
<u>Non-current Assets</u>		
Building		500,000
Office Equipment (cost)	78,000	
Less: Accumulated Depreciation - OE	12,000	66,000
Motor Vehicles (cost)	150,000	
Less: Accumulated Depreciation - MV	14,000	136,000
TOTAL ASSETS		886,000

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Current Liabilities

Account Payables	36,000	
Note Payables	<u>50,000</u>	86,000

Owners' Equity

Capital, Bubbles	450,000	
Capital, Buttercup	<u>350,000</u>	800,000
TOTAL LIABILITIES & EQUITY		<u><u>886,000</u></u>

Additional information:

- i. The fair values of the assets taken over:

	(RM)
Account Receivables	85,000
Prepaid Insurance	48,000
Inventories	23,000
Building	535,000
Office Equipment	78,000
Motor Vehicles	150,000

- ii. Bubbles and Buttercup share profits and losses equally.
 iii. Both agreed to accept equally any cash remaining as part settlement of the amount due to them on liquidation of the company.

Instructions:

Answer the following questions. Show all your workings and round-up to the nearest figures.

- (a) Calculate the purchase price and goodwill. (4 marks)
 (b) Prepare journal entries to close the book of B&B Partnership. (8 marks)
 (c) Prepare journal entries to open the book of B&B Corporation. (6 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Lisa Corporation and Mora Corporation are two companies that have decided to amalgamate to become LM Corporation in beginning year of 2017. This new company is going to acquire all the assets (except cash of RM5,000 each) and liabilities from both two previous companies.

Authorised share capital of LM Corporation is made up of 4,000,000 ordinary shares of RM1 per share and 800,000 7% preference shares of RM1 per share. Furthermore, RM100,000 of ordinary shares are issued to the founders at par for cash in order to register LM Corporation.

The consideration transferred was as follow:

	Lisa (RM)	Mora (RM)
Ordinary shares in LM Corporation issued at par	1,105,000	1,400,000
Preference shares		480,000

The preference shares issued by LM Corporation is to be used to discharge the preference shareholders of Mora.

Below are the Statements of Financial Position of Lisa Corporation and Mora Corporation as at 31 December 2016.

Statements of Financial Position As at 31 December 2016		
	Lisa (RM)	Mora (RM)
<u>Current Assets</u>		
Cash	150,000	110,000
Trade Receivables	110,000	150,000
Inventories	150,000	110,000
<u>Non-current Assets</u>		
Property, Plant & Equipment	560,000	600,000
Long-term Investment	120,000	160,000
Goodwill	40,000	20,000
TOTAL ASSETS	1,130,000	1,150,000
<u>Current Liabilities</u>		
Trade Payables	150,000	50,000
<u>Shareholders' Equity</u>		
7% Preference Shares	-	400,000
Ordinary Shares of RM1 per share	1,200,000	400,000
Profit and (Loss)	(220,000)	300,000
TOTAL LIABILITIES & EQUITY	1,130,000	1,150,000

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Additional information:

i. The fair values of the assets:

	Lisa (RM)	Mora (RM)
Property, plant & equipment	800,000	1,400,000
Long-term investment	50,000	70,000
Current assets	Book value	Book value

ii. Both Lisa Corporation and Mora Corporation are to be wound up. The cash retained by the two companies are to be used to discharge the liquidation expense.

Instructions:

For calculation questions, show all your workings and round-up to the nearest figures.

- (a) Calculate the goodwill or bargain purchase. (4 marks)
- (b) Prepare journal entries to close the book of Lisa Corporation. (7 marks)
- (c) Prepare journal entries to close the book of Mora Corporation. (9 marks)
- (d) Briefly explain the concept of Amalgamation and Absorption (2 marks)
- (e) Identify and list any **THREE (3)** basis of apportioning profit and loss items. (3 marks)

[TOTAL 25 MARKS]

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